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GATEHOUSE FOUNDATION, INC.  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORTS

June 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-29-06

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INDEPENDENT AUDITORS' REPORT

MEMBER  
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To the Board of Directors  
Gatehouse Foundation, Inc.  
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Gatehouse's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gatehouse as of June 30, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Gatehouse taken as a whole. The accompanying Schedule of Federal Awards for the year ended June 30, 2006 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2006, on our consideration of Gatehouse's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants.



Louis R. Rolfes II, CPA  
Lafayette, Louisiana  
October 25, 2006

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Gatehouse Foundation, Inc.  
Lafayette, Louisiana

We have audited the financial statements of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 25, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide.

**COMPLIANCE** As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Gatehouse's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING** In planning and performing our audit, we considered Gatehouse's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S.

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Gatehouse's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, we noted no matters involving internal control over financial reporting that we consider to be material weaknesses under the aforementioned auditing standards.

This report is intended for the information of the Gatehouse Foundation Board of Directors, management, the Louisiana Department of Health and Hospitals, Office for Addictive Disorders as licensing agency for Gatehouse, the local Board of United Way of Acadiana, and the Community Development Department of Lafayette Consolidated Government and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Louis R. Rolfes II, CPA  
Lafayette, Louisiana  
October 25, 2006

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 1,037
Prepaid expenses	2,211
Employee/client advances	144
Grants/contracts receivable (Notes A & C)	<u>22,275</u>

Total Current Assets \$ 25,667

PROPERTY AND EQUIPMENT - AT COST  
(Notes A & B)

Land	87,000
Building	42,575
Building renovations	38,266
Furniture and fixtures	34,622
Equipment	<u>47,872</u>
	250,335

Less: accumulated  
depreciation (141,421)

Net Property and Equipment 108,914

OTHER ASSETS

Deposits 2,101

TOTAL ASSETS \$ 136,682

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION

June 30, 2006

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	17,463
Payroll taxes payable	2,890
Current portion of debt (Note B)	14,579
United Way payable	760
Loan - Other	980
Contract advance	1,065
Canon Lease Obligation (Note I)	<u>7,570</u>

Total Current Liabilities \$ 45,307

LONG-TERM LIABILITIES

Long-term debt, net of current portion (Note B)	<u>20,444</u>
--	---------------

Total Liabilities 65,751

NET ASSETS (Note A)

Unrestricted

Operating	(15,359)
Plant	<u>76,880</u>
	61,521

Temporarily restricted 9,410

Total net assets 70,931

TOTAL LIABILITIES AND  
NET ASSETS

\$ 136,682

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue:</b>			
Revenue from State contract (Notes A, C, G)	\$ -	\$126,700	\$ 126,700
United Way of Acadiana (Notes A & C)	18,316	-	18,316
Lafayette Consolidated Government (Note C)	-	13,500	13,500
LEAP/LRS/Client rents/fees (Notes C & D)	47,415	-	47,415
Fundraising/donations	12,736	-	12,736
Miscellaneous	<u>576</u>	<u>-</u>	<u>576</u>
Total public support and revenue	79,043	140,200	219,243
<b>In-Kind: (Notes E &amp; F)</b>			
Dietician services	960	-	960
Donated food/supplies	<u>4,935</u>	<u>-</u>	<u>4,935</u>
Total donated services	<u>5,895</u>	<u>-</u>	<u>5,895</u>
Total support and revenue	84,938	140,200	225,138
<b>Expenses:</b>			
Program services:			
Dietary & medical	22,289	-	22,289
Physical plant	13,358	-	13,358
Supervision	<u>114,626</u>	<u>-</u>	<u>114,626</u>
Total program services	150,273		150,273
Supporting services:			
Management and general	70,621	-	70,621
Fundraising	<u>908</u>	<u>-</u>	<u>908</u>
Total supporting services	<u>71,529</u>	<u>-</u>	<u>71,529</u>
Total expenses	221,802	-	221,802
Net assets released from restrictions	<u>140,175</u>	<u>(140,175)</u>	<u>-</u>
Change in net assets	3,311	25	3,336
Net assets, beginning of year	<u>58,210</u>	<u>9,385</u>	<u>67,595</u>
Net assets, end of year	\$ <u>61,521</u>	\$ <u>9,410</u>	\$ <u>70,931</u>

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2006

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	-	616	616
Benefit functions	329	-	329
Client programs/assistance	5,079	-	5,079
Contract labor	9,456	-	9,456
Depreciation (Note A)	8,676	-	8,676
Dietary contract, including donated	1,960	-	1,960
Dues & subscriptions	-	221	221
Employee screen	-	471	471
Food	19,325	-	19,325
Fundraising expense	-	908	908
Gifts	46	-	46
Insurance - general	8,513	-	8,513
Interest	-	5,943	5,943
Legal, accounting & auditing	-	6,700	6,700
Office supplies	-	1,712	1,712
Payroll taxes	5,899	4,062	9,961
Permits and licenses	-	780	780
Postage	-	175	175
Repairs and maintenance, including donated	4,682	-	4,682
Salaries	64,434	48,720	113,154
Supplies	6,928	-	6,928
Taxes and penalties	594	-	594
Telephone	-	1,221	1,221
Travel	50	-	50
Utilities	<u>14,302</u>	<u>-</u>	<u>14,302</u>
	<u>\$ 150,273</u>	<u>\$ 71,529</u>	<u>\$ 221,802</u>

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets – increase		\$ 3,336
Adjustments to reconcile change in net assets to net cash provided by operating activities:		

Depreciation	\$ 8,676	
Decrease in prepaid expenses/advances	557	
(Increase) in grants/contracts receivable	(2,105)	
(Decrease) in accounts payable	(2,462)	
(Decrease) in United Way payable	(181)	
(Decrease) in accrued payroll taxes/expenses	<u>(2,686)</u>	

Total adjustments		<u>1,799</u>
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Net cash provided by operating activities		5,135
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CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property and equipment	<u>-</u>	
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Net cash (used) by investing activities		-
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CASH FLOWS FROM FINANCING ACTIVITIES

Payment on line of credit, mortgage, and loans	<u>(5,541)</u>	
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Net cash (used) by financing activities		<u>(5,541)</u>
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Net decrease in cash		( 406)
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Cash at June 30, 2005		<u>1,443</u>
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Cash at June 30, 2006		\$ <u><u>1,037</u></u>
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Supplemental disclosure:

Interest paid amounted to \$5,943

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**Note A - Nature of Activities and Summary of  
Significant Accounting Policies**

Nature of activities

Gatehouse Foundation, Inc. operates a state-licensed private, not-for-profit, residential (fifteen beds), educational and rehabilitation program for persons recovering from alcoholism and other chemical dependencies. The halfway house facility provides extended care to chemically dependent males and females in a supervised living environment. The purpose of the program is to assist the resident in developing a healthy transition back into the community via counseling and therapeutic support. As provider, Gatehouse must allow a sliding fee scale policy, and must not refuse services to persons on account of race, religion, sex or ability to pay. The primary source of funding for this program is a contract with the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse, through a Federal Block Grant. Gatehouse is licensed by the Louisiana Department of Health and Hospitals. Under this license, Gatehouse agrees to provide room and board, individual and group counseling and peer support in a structured therapeutic environment.

Financial Statement Presentation

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, Gatehouse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Gatehouse is required to present a statement of cash flows. As permitted by this new statement, Gatehouse has altered its use of fund accounting (for reporting purposes) and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Gatehouse has only unrestricted and temporarily restricted classes. The reclassification had no effect on the change in net assets for the fiscal year ended June 30, 2006.

Continued

### Contributions

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made**. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS 116, such contributions are now required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration or expenditures of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent.

### Deferred Revenue – Grants and Exchange Transactions

Some grants are actually "exchange transactions" that do not qualify as contributions under SFAS 116. In such cases, revenue is not recognized until the services required by the grant are rendered. Until the revenue is recognized, any cash or grant receivable asset must be offset by a "deferred or unearned revenue" liability. These exchange transactions differ from contributions in that the method or type of services rendered is stipulated by the granting authority and not by the nonprofit organization.

### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Compensated absences / Post-employment benefits

Under SFAS 43 and 112, an employer generally is required to accrue a liability for employees' rights to receive compensation for future absences and post-employment benefits. The amount of the compensation is not reasonably estimable and, therefore, no such liability has been accrued. However, with only four full-time staff members, any unrecorded amounts at June 30, 2006 would be immaterial.

### Functional expenses

Expenses are charged to one of three program services (dietary, medical, physical plant, supervision) based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the respective programs based on related salary expenses, time sheets, or other appropriate method that is reasonable and measurable. The statement of functional expenses lists both program service expenses and management expenses by natural classifications.

Continued

#### Income tax status

The organization qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

#### Property and equipment

Property and equipment purchased is recorded at cost; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets, ranging from five to twenty years.

#### Grants and contract revenue

Grants and contract revenue received that are of a cost reimbursement nature are recognized as revenue at the time the cost is incurred for the purpose for which the revenue was billed. Unreceived amounts from previously awarded grants are recorded as grants receivable. Unrestricted grants, such as United Way, are recognized as revenue when awarded.

#### Accrual Basis of Accounting

The books are routinely maintained on a cash basis and are converted to the accrual basis at year-end for these financial statements. Accrual basis accounting records revenue when earned rather than when received and records expenses when incurred rather than when paid, in accordance with U.S. generally accepted accounting principles.

#### Cash Equivalents

For purposes of the statement of cash flows, Gatehouse considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### **Note B - Note Payable – Midsouth Bank**

The Board of Directors approved a corporate resolution to borrow \$33,922 on October 3, 2003 to pay off the Iberia Bank loan, to fund new roofs on both the men's and women's houses, a new A/C-heat unit, and working capital. The mortgage loan is collateralized by the men's house at 206 S. Magnolia Street and the women's house at 305 S.E. Evangeline Thruway. The board also approved a \$10,000 line of credit with Midsouth Bank for additional working capital and repairs. The mortgage interest rate is 6.00% and the line of credit rate is 12.25%.

Continued

On June 30, 2006, the balance on the second mortgage was \$24,464 and the balance on the line of credit was \$9,922. The mortgage is on an 8-year amortization schedule ending October 15, 2011, and the line of credit is not being amortized. The line of credit must be renewed annually.

Scheduled payments under current obligations:

Year Ended June 30,

2007	\$ 4,019
2008	4,267
2009	4,530
2010	4,809
2011 and thereafter	<u>16,761</u>
Total	<u>\$34,386</u>

**Note C - Federal, State and Local Financial Assistance and Grant Awards**

<u>Grantor/Program Title</u>	<u>Amount Earned Y/E June 30, 2006</u>
State of Louisiana, Department of Health and Hospitals, Office for Addictive Disorders (through a Federal Block Grant) CFDA #93.959	\$126,700
Consolidated Government of Lafayette ESG Grant	13,500
LEAP/LRS Funding	<u>26,480</u>
Total governmental funding	<u>\$166,680</u>
United Way of Acadiana	<u>\$ 18,000</u>

The aforementioned contract with the State of Louisiana is operated on a per diem reimbursement basis. The 2005-2006 contract was renewed for 2006-2007 for a maximum reimbursement of \$130,750, effective July 1, 2006. This represents a per diem of \$25 for 14 beds and includes \$3,000 for travel expense reimbursement.

The aforementioned grants from the United Way of Acadiana, LEAP/LRS, and the Consolidated Government can be used for operational expenses.

The following is a breakdown of Grants/Contracts Receivable:

State Contract	\$10,475
LEAP/LRS	2,800
United Way Grant - 2006	<u>9,000</u>
Total Grants/Contracts Receivable	<u>\$22,275</u>

Continued

**Note D - Client Rent**

The organization, as part of their recovery program for the residents as well as a source of income, charges and collects rent on a weekly, sliding scale basis. Rental revenue of \$20,117 reflected in the financial statements is recorded on the cash basis. Because rent is collected and recorded weekly, any adjustment to the accrual basis is deemed immaterial.

**Note E - Donated Materials, Food, & Supplies**

Donated materials, food, and supplies are reflected as In-kind Donations in the accompanying statements at their fair market value. For the year ended June 30, 2006, food donations were valued at \$1,717, office, bathroom, and kitchen supplies were valued at \$1,218, and donated repair services/supplies were valued at \$2,000.

**Note F - Contributed Services (In-Kind)**

Effective for the fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received:

- a) Create or enhance non-financial assets (land, buildings, etc.); or,
- b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Dietician services totaling \$960 contributed during the year are reflected in the accompanying financial statements.

**Note G - Concentrations**

Approximately 58% of Gatehouse's cash support was provided by revenue from the state contract with the Louisiana Department of Health & Hospitals (OAD). The new contract for 2006-2007 has been approved for \$130,750 (14 beds), and the DHH license has been renewed through June 30, 2007.

**Note H - Subsequent Events**

Subsequent to the balance sheet date, the state authorized a contract for \$130,750. This represents a per diem rate of \$25 for 14 beds authorized. The actual amount realized from the contract will be determined by occupancy during the contract year. Additionally, the Lafayette Consolidated Government has awarded \$17,965 in HUD/ESG funds for the July 1, 2006 – June 30, 2007 fiscal year. This is an increase of \$4,465.

Continued

**Note I - Canon Financial Lease Obligation**

On October 4, 2004, a lease agreement was signed between Gatehouse Foundation, Inc. and Canon Financial Services, Inc. for a new Canon IR2200 copier. The terms of the lease required Gatehouse to make 60 payments of \$92.50 each and included an option to purchase the copier at the end of the lease for \$3,133.07. This lease was recorded in the financial statements as a capital lease with a corresponding asset in Equipment. Gatehouse was in default under this lease obligation at June 30, 2005; however, since that time, Gatehouse paid \$2,700 towards the outstanding balance, and the terms of the lease have been renegotiated. Gatehouse is presently paying \$200.00 per month until the lease balance is paid in full. As of June 30, 2006, the balance on the lease is \$7,570.

Concluded

GATEHOUSE FOUNDATION, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED 06-30-06

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Award</u>	<u>Federal Disbursements</u>
U.S. Department of H.U.D./ Emergency Shelter Grant (A)	14.231	\$ 13,500	\$ 13,500
U.S. Department of Health & Human Services (B)	93.959	<u>\$126,700</u>	<u>\$126,700</u>
Total		<u>\$140,200</u>	<u>\$140,200</u>

(A) Through Lafayette Consolidated Government

(B) Through Louisiana Department of Health and Hospitals, Office of Addictive Disorders. This is a State contract paid on a per diem basis of \$25 per day per bed, 14 bed maximum.